



**Asia-Pacific  
Economic Cooperation**

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**2016/SMEWG42/031**

Agenda: 19.6

## **Promote SME Innovation in Viet Nam Agriculture Sector**

Purpose: Information  
Submitted by: Viet Nam



**42<sup>nd</sup> Small and Medium Enterprises Working Group  
Meeting  
Ho Chi Minh City, Viet Nam  
27–28 April, 2016**

## Promote SME innovation in Viet Nam agriculture sector

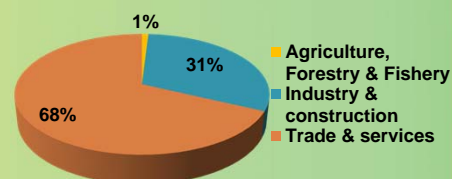
Agency for Enterprise Development  
Ministry of Planning & Investment  
Viet Nam

### Vietnamese SMEs

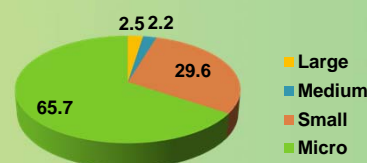
**97.5% total enterprises are SMEs**

- **Job creation:**
  - **50%** national workforce
  - Key factor of keeping **low unemployment rate** in Viet Nam during the past decade.
  - Provide jobs to **50.6%** female labors.
  - Most enterprises hiring less than 50 people, **38.64%** hiring less than 10 people
- **GDP contribution: 50%**

SMEs by economic sectors



SMEs by No. employees



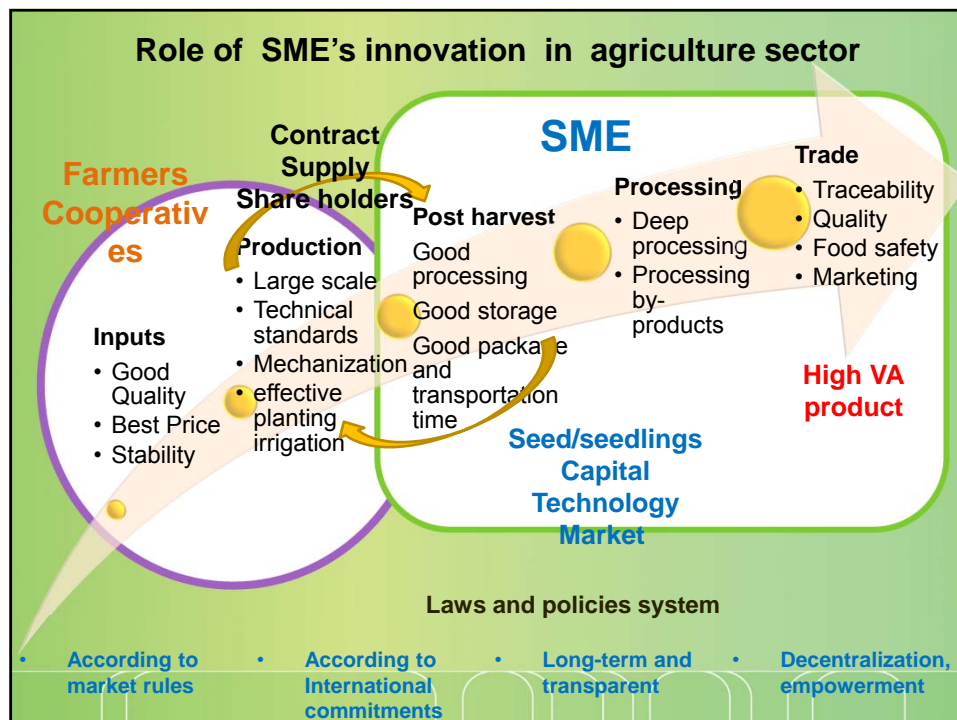
Source: GSO - MPI (2015)

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## Role of SME in innovation ecosystem

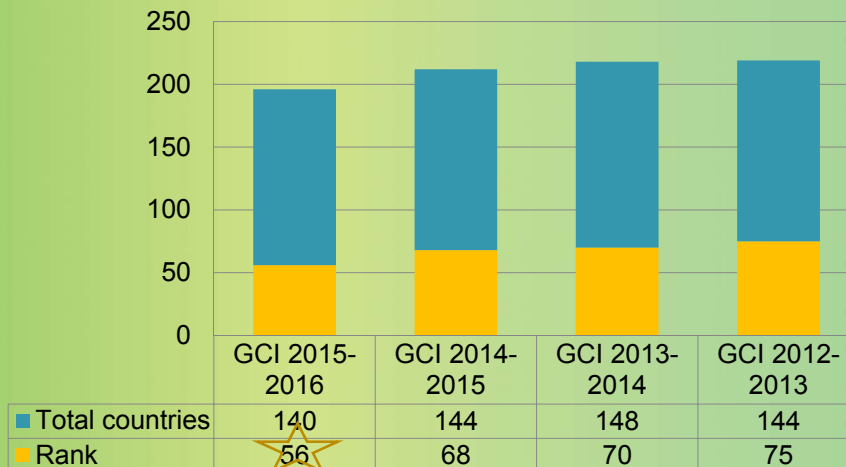
### SMEs:

- Key factor in the innovation ecosystem
- Bridge between scientific fields and the real world
- The ones who initiate many creative ideas
- Develop and deliver, through public and private innovation, high-performance products & solutions at a low cost, to solve day-to-day problems and national challenges.



## Viet Nam Innovation Progress

### GCI Viet Nam



Source: The Global Competitiveness Report 2015-2016, WB, 2015

## Viet Nam Innovation Progress

### Viet Nam Innovation Index 2015

- **1/14** middle-income countries **outperforming** in their income group: Republic of Moldova, China, Viet Nam, Armenia, Senegal, Mongolia, Malaysia, Montenegro, Ukraine, India, Bulgaria, Thailand, Morocco, Jordan.
- **1/8 innovation achievers**: China, India, Jordan, Kenya, the Republic of Moldova, Mongolia, Malaysia, Viet Nam, outperforming their peers on the overall GII score during 2011–14
- **1/11** developing countries labelled '**innovation outperformers**': Armenia, China, Georgia, India, Jordan, Kenya, Malaysia, the Republic of Moldova, Mongolia, Uganda, Viet Nam.

Source: The Global Innovation Index 2015, WIPO – Johnson Cornell University - INSEAD

## VN Government initiatives

### 1. Support R&D

- Grant 30% R&D expenses
- Tax incentives: Enterprise R&D fund

### 2. IPRs registration, exploitation

- Online registration
- Online database

### 3. Technology transfer

- Favorable credit
- Tax incentives

### 4. Quality testing

- Focal national lab: 16 labs

### 5. Pilot production

- Favorable credit
- Tax exemption, reduction

### 6. Quality control, standard

- National program on enhancing productivity and product standard

### 7. Production premises

- Industrial parks/clusters
- Hi tech park

### 8. Marketing, export promotion

- National trade promotion program
- High quality Vietnamese products
- National Single Window (customs one-stop shop)

### 9. Public purchase

- Favorable conditions for small bidder

### 10. PPP, BDS, IBA

- "4 Nhà" model: Linkages among Government, Enterprise, Farmer and Scientist
- Inclusive biz accelerator/incubator

## VN Government initiatives – Financing

### SME Development Fund

- Under MPI
- Charter capital: VND 2000 billion (≈ USD 100 million)
- Entrust commercial banks to provide loans for business projects/plans belong to the List of sectors entitled to prioritized support from the Fund, aimed at [enhancing SMEs' competitiveness and innovation](#)
- Favorable interest rate (not exceeding 90% commercial interest rate)

### National Technology Innovation Fund

- Under MOST
- Charter capital: VND 1000 billion (≈ USD 50 million ) >50% for funding project; <50% for funding concessional loan, interest support and loan guarantee
- Funding activities: [Technology transfer, inclusive innovation business development](#), technology transfer for agricultural and rural development; technology transfer in remote area, [training and inclusive innovation consultants](#) for enterprises.

## Best practices of SME innovation in agriculture sector

1. Flower production model at Dalat Hasfarm Ltd.
2. Contract farming and agro-processing at Vinamit Co.
3. “Small farm, large field” model for rice production in Mekong River Delta.
4. Vertical integration to ensure biosecurity in catfish production and export in Mekong River Delta.
5. Innovation in Ginger value chain – Dragon Capital Co.

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### 1. Flower production model at Dalat Hasfarm Ltd.

- **Activity:** Grow flowers for exports.
- **Scale:**
  - 3 flower farms in Lam Dong with 55 ha of greenhouse.
  - Cooperate with more than 1,700 farmers.
- **Successes:**
  - Total revenue reached 32 million USD in 2011.
  - Viet Nam’s leading exporter of flowers to demanding markets such as Japan, Australia, Taiwan, Russia, etc.
  - Recognized as a leading flower producer in South-East Asia by America’s Flowers Tech Magazine.

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## Drivers of Success

- **Optimal application of technologies**
  - Flowers are grown in greenhouses under automatically monitored farming process. Nutrition for flower plants is scientifically defined and accurately prepared
- **Produce high quality and wide variety**
  - Import flower varieties from Holland and Europe.
  - Invest in R&D to have new kinds each year
- **Contract farming with local farmers**
  - The company provides breeding plants, technical assistance and buys output (5% of the total amount of flowers by Hasfarm)
- **Efficient processing and distribution system**
  - Strict control on harvesting, classifying, cooling (4-10°C), and transporting flowers.
  - A system of agents and stores all over the economy

## 2. Contract farming and agro-processing at Vinamit Co.

- **Activity:** Produce and export dried agricultural products.
- **Scale:**
  - 2 processing factories, producing 20 tons/day.
- **Successes:**
  - Account for 90% of domestic market.
  - Export 60% of outputs to ASEAN, China, Taiwan, Hong Kong, Japan and demanding markets in Europe and North America.

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## Drivers of Success

- **Cooperating with scientists in applying high-quality breed**
  - Cooperate with research institutes and universities in selecting high-quality breeds and introduce those to farmers
- **Applying modern processing technologies and international quality standards** (e.g. BVQI, HACCP, GMP, ISO)
- **Develop stable supply of raw materials**
  - **Contract farming:** Vinamit supplies breeds, monitors farming and buys outputs from farmers at market price throughout 8 years.
  - **Self-produced materials:** Develop companies' raw material areas of 50,000 ha in many provinces to supply more than 50% of Vinamit's input demand.

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## 3. "Small farm, large field" model for rice production in MRD

- **Activity:** Rice farming on large scale for exports.
- **Scale:** more than 6,400 farmer households from 12 out of 13 provinces in Mekong River Delta; the project area reaches 8,000 ha.
- **Successes:**
  - Production costs decreases by 30% compared with small and separated producers.
  - Average yields are high (7.5 - 8 tons/ha).
  - Profit rises by 150% compared with small and non-integrated producers.

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## Drivers of Success

- **Developing a complete value chain**
  - Integrating 4 stakeholders (i.e. Government, enterprise, scientist and farmer) in a closed value chain from production to selling outputs and distribution
- **Applying advanced technologies and scientific achievements**
  - Comply with quality standards (VietGAP, GLOBALGAP).
  - Mechanize production and apply scientific advances on the large field to increase yield

#### 4. Vertical integration to ensure biosecurity in catfish production and export in MRD

- **Activity:** produce and export quality catfish products.
- **Scale:** cooperation in large-scale production area of Mekong River Delta to improve biosecurity.
- **Successes:**
  - Since 2008, 90% of catfish outputs are exported, accounting for more than 30% of national seafood export values.
  - Many enterprises have been certified for international standards (GlobalGAP, SQF1000, AquaGAP, BAP, FOS...)

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## Drivers of Success

- **Creating vertical integration within the industry**
  - Integration between feed producers, farmers and processing enterprises, with supports from the government and strong cooperation with scientists.
  - The integrated chain helps develop hygienic catfish production areas from hatchlings to processed goods
- **State investment in science and technology**
  - An Giang Aquaculture Breeding Center has been developed to multiply hatchlings that meet European standards

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## 5. Innovation in Ginger value chain – Dragon Viet Nam Investment Co.

- **Activity:** produce & export Ginger product.
- **Scale:**
  - 210 ha of ginger plantations in the poor districts of Nghe An, Hoa Binh, Yen Bai and Phu Tho provinces in North West Viet Nam.
  - Contract farming with more than 2000 poor ethnic minority households in mountainous areas,
  - Import ginger from Indonesia (Java & Sumatra)
- **Successes:**
  - Export to Russia, India, EU market
  - Income of farmers increase 3-5 times more than traditional crops (corn, cassava)
  - ANNUALLY Creating more than 10,000 working day of income for ethnic minority peoples participating in Ginger plantation and production.

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**Value Chains: GINGER**

**GLOBALG.A.P.**  
The Global Partnership for Good Agricultural Practice




The collage consists of six photographs arranged in two rows. The top row includes: 1) A group of people sitting in a meeting or training session. 2) Workers in a field, one is washing ginger roots in a bowl. 3) People harvesting ginger plants in a field. The bottom row includes: 4) A man and a woman standing in a field with ginger plants. 5) Shelves filled with ginger roots. 6) A large cargo ship at sea.

**Java and Sumatra Islands**



The collage consists of three photographs. The first shows a farmer in a field with ginger plants. The second shows ginger roots. The third shows people weighing ginger in a market setting.

**Dragon Ginger from Indonesia to Viet Nam**



The collage consists of three photographs. The first shows people sorting ginger. The second shows ginger in mesh bags. The third shows ginger in a container.



Develop new varieties of Dragon gingers



**GLOBALG.A.P.**  
The Global Partnership for Good Agricultural Practice

**ISO 22000:2005**

*Organic*  
Good for nature  
Good for you

**sugar free**



## Drivers of Success

- **Cooperating with scientists in developing new varieties of Gingers**
  - Cooperate with research institutes and universities in selecting high-quality gingers and introduce those to farmers
- **Incubated in Hanoi Food Processing Incubator (State unit)**
- **Applying modern processing technologies and international quality standards** (e.g. Global G.A.P, ISO)
- **Develop stable supply of raw materials**
  - **Contract farming:** Dragon supplies breeds, training for ginger growers, monitors farming and buys outputs from farmers.
  - **Develop pilot model of Ginger farming** for ethnic people

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THANK YOU VERY MUCH

TRÂN TRỌNG CẢM ƠN

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